

# [Race, Class, and the Pandemic]

The Meaning of “White Privilege” During the Pandemic

## Harvard’s Chetty Finds Economic Carnage in Wealthiest ZIP Codes

The celebrated economist has built a data tool with a God’s-eye view of the pandemic’s damage—and soaring inequality. By Ben Steverman (2020)

SOURCE: <https://www.bloomberg.com/news/features/2020-09-24/harvard-economist-raj-chetty-creates-god-s-eye-view-of-pandemic-damage>

**Folks, Guys, People: This article must be read with the interactive charts from the *New York Times* available [here](#) titled: “Extensive Data Shows Punishing Reach of Racism for Black Boys”  
Do NOT screw up on this assignment!**

Raj Chetty hasn’t eaten at a restaurant in months. In fact, he’s barely left his home near [Harvard](#), where he’s an economics professor. The MacArthur genius grant recipient has been getting his haircuts from a stem cell biologist—his wife.

If you want to understand what’s really wrong with the economy, this is a telling symptom: Chetty used to travel widely sharing insights from his work, which mines data to paint a vividly detailed picture of inequality in the U.S. Now he, like millions of other affluent Americans, is at home. That might seem harmless—Chetty and his wife enjoy cooking together and spending time with their 5-year-old daughter—until you confront the effects on the already-precarious livelihoods of the people who fed, clothed, and pampered this professional class.

When Covid-19 hit, Chetty and his team of about 40 researchers and policy specialists dropped everything—including work on inequality in housing, higher education, and longevity—to document the pandemic’s lopsided impact. The result is a [data tracker](#) that gives a day-by-day, state-by-state, and even neighborhood-by-neighborhood view of the coronavirus economy. First uploaded in May and frequently expanded since, it relies on nonpublic, proprietary data supplied by some of America’s largest corporations to give a level of detail, in real time, that traditional economic indicators can’t match.

Last month, a couple days after former Vice President Joe Biden selected California Senator Kamala Harris as his running mate, Chetty briefed the pair over video, presenting data that demonstrated lower-income workers were bearing the brunt of the Covid recession. His chart showed that by April, the bottom quarter of wage earners, those making less than \$27,000 a year, had lost almost 11 million jobs, more than three times the number lost by the top quarter, which earn more than \$60,000 annually.

**Listen to the story [here](#)**  
**The Numbers Don’t Lie**

By late June the gap had widened further, even though many businesses had reopened. In fact, the segment of Americans who are paid best had recovered almost all the jobs lost since the start of the pandemic. “The recession has essentially ended for high-income individuals,” Chetty told Biden and Harris. Meanwhile, the bottom half of American workers represented almost 80% of the jobs still missing.

Even as the better-off watched employment rebound and the stock market surge, the virus’s economic devastation was all around them, in shuttered restaurants, hair salons, and gyms. It was no longer possible to ignore the economic chasms that separated people who used to live and work alongside one another. “That creates this very local feel to the recession,” Chetty says.

**Folks, if this is going on in the urban areas, what do you think is happening on the Reservations where nearly 50% of Native Americans live?**

The mapping tool on his tracker allows you to visualize the divergence as it's played out in prosperous places from Manhattan's Upper East Side to San Francisco's Pacific Heights. "The shock is most severe actually in the richest parts of the country and the richest neighborhoods in the country," he says. "It's literally the people you were interacting



Raj Chetty of Harvard

with who I think are suffering the most."

Chetty has been described as "arguably the best applied microeconomist of his generation" by the [American Economic Association](#),

which awarded him the [Clark Medal](#), often called the second-most prestigious prize in the profession after the Nobel, in 2013. Like many of his contemporaries, Chetty largely eschews theory and ideology in favor of data—the more the better. His goal in diagnosing the source of the economic pain is to help find ways to cure it. "It's really done from the perspective of science," says Heather Boushey, a Biden adviser who heads the [Washington Center for Equitable Growth](#).

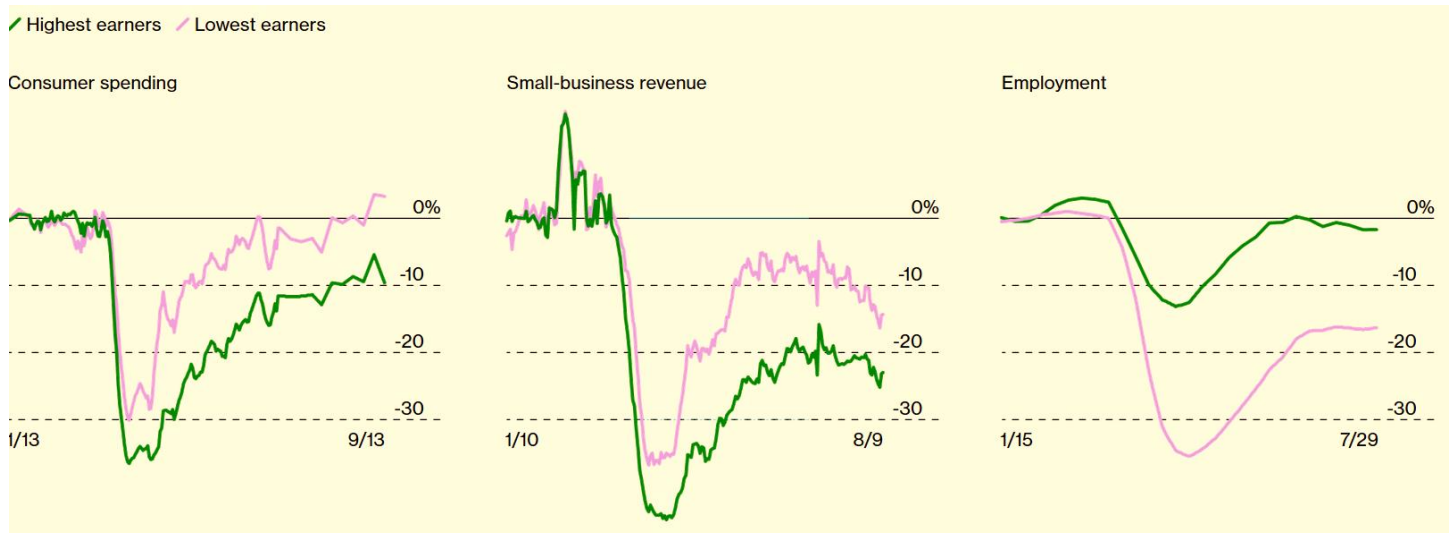
Chetty and his team have been talking about their newest project to any politician who will listen. On video calls with dozens of Democrats and Republicans in Congress, as well as Treasury officials and state and local policymakers, his message has been consistent: Get the virus under control at all costs—a task the U.S. has so far [failed at](#) pitifully. No matter how many businesses are allowed to reopen, normal economic life will not resume until their customers feel they're no longer at risk of contagion. In the meantime, he tells them, target assistance to the people, businesses, and places that need it. There's no use sending stimulus checks to people making \$150,000 a year or cutting their payroll taxes. They have plenty of money; what they lack is places to safely spend it.

In the weeks before the U.S. government's first jolt of stimulus ran out, Chetty was optimistic that both parties in Washington seemed to be getting the message. "I've consistently found an appreciation for what the data have to say, even in these polarized times," he said then. But with infection rates spiking in a dozen states and Congress and the White House at an impasse over what should take the place of the now lapsed \$600-a-week pandemic unemployment benefit and other assistance furnished through the Cares Act, Chetty has become alarmed by what his trove of data is telling him: The recovery has stalled.

Until recently, the Covid crisis of 2020 looked nothing like the Great Recession of 2008—or any other slump. With American businesses and workers held aloft by trillions of dollars in stimulus, the worst damage had been limited to certain sectors and had even started to heal. Now the economy's woes could metastasize, taking down industries and workers that were untouched before.

All this threatens to make Chetty's work much more difficult. The American dream is dead, as he'd proved with exhaustive government data showing today's workers can no longer expect to earn more than their parents did. Now those left behind by the economic changes of the past few decades could be robbed of any remaining opportunities to get ahead.

## Change From Pre-Covid Levels Nationwide



Data: Opportunity Insights

## Highest and lowest earners based on ZIP code locations of spending and businesses.

One of Chetty's most stunning findings was rendered in 2018 by the *New York Times*' website in blue and yellow pixels that swarmed across the screen. It's beautiful, almost soothing, if you can forget you're watching a tragedy unfold. Each tiny square represents the life trajectory of one of 10,000 American men born into a family at the top 20% of the income spectrum. They fall or rise based on the extent to which they were able to match their parents' comfortable incomes in adulthood. Those yellow pixels that keep bouncing up at the top of the screen are White men in the sample. The blue ones that keep tumbling to the bottom? They're Black men. The two-minute [animation](#) is a simple, elegant illustration of the pernicious effects of racism on even the most privileged Black Americans.

Many of Chetty's slides and charts tell similarly grim stories, even if the mild-mannered 41-year-old himself rarely shows much emotion. "He presents the data in the most detached and remote way," says [Ford Foundation](#) President Darren Walker. Yet "he visualizes suffering in this country in really profound ways. As a Black man, when I see that data, I am emotionally disturbed and profoundly impacted."

Chetty's base of operations is [Opportunity Insights](#), a venture based at Harvard that is part think tank, part research lab. Started in 2018 with \$36 million, including \$15 million each from [Facebook](#) founder [Mark Zuckerberg](#) and the [Bill & Melinda Gates Foundation](#), OI was co-founded by Chetty, Harvard colleague Nathaniel Hendren, and Brown University professor John Friedman. Its mission, as spelled out on its website, "is to identify barriers to economic opportunity and develop scalable solutions that will empower people throughout the United States to rise out of poverty and achieve better life outcomes." Translation: to improve economic mobility in the U.S.

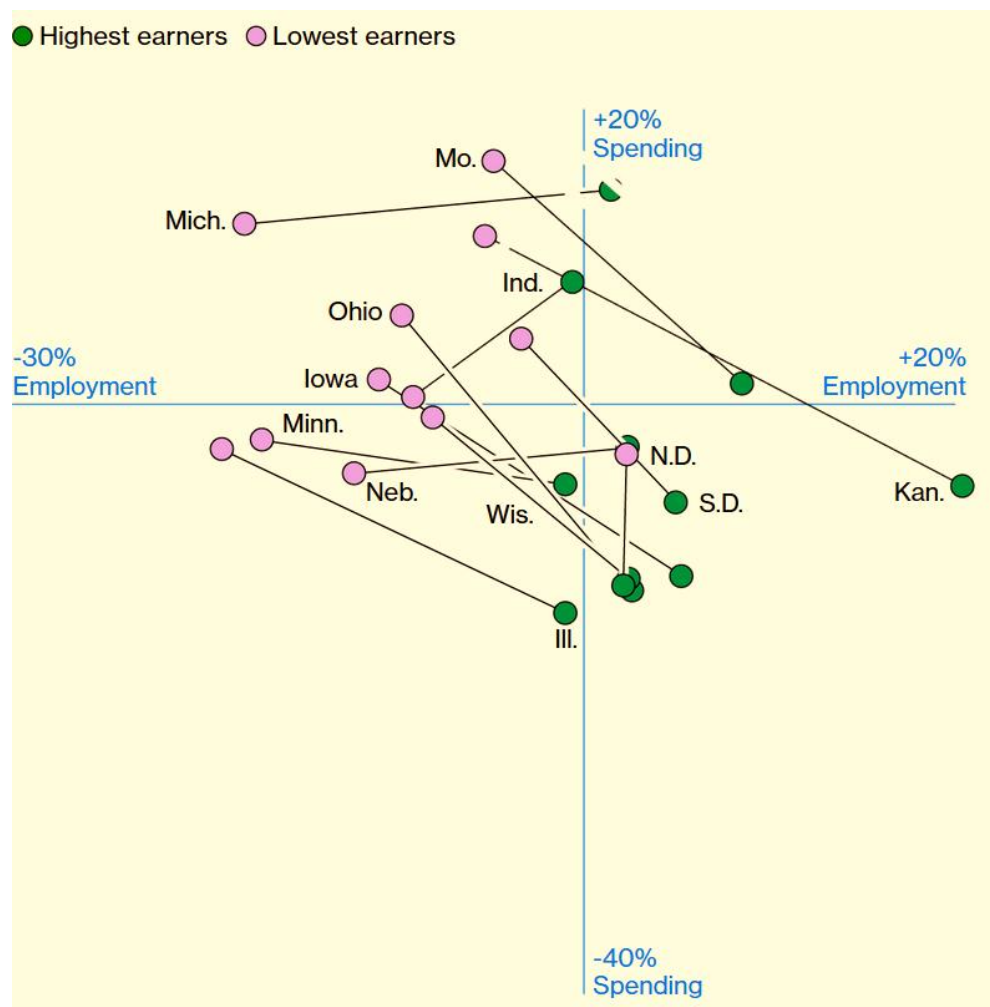
The center's staff includes more than a dozen recent college graduates trained in the art of sifting through data, with some sets so large they can take a computer a day or more to analyze. Chetty and his colleagues don't just identify problems, they suggest ways to fix them. A 2014 study found that the best teachers can help each student earn an additional \$50,000 over their careers, which works out to \$1.4 million per homeroom. Chetty has suggested school districts hold on to skilled teachers by tying pay or bonuses to performance.



Improving education for poor kids wouldn't just help them personally, Chetty's research suggests. It should also boost the economy overall. An analysis of the patents filed by 1.2 million Americans found children of the top 1% are 10 times more likely to be inventors than equally smart kids from other backgrounds. If talented women, minorities, and children from low-income families could invent at the same rate as well-off White men, Chetty and his co-authors estimated, these "lost Einsteins" could quadruple innovation in the U.S.

An "Opportunity Atlas" on the center's website maps income mobility across the U.S. down to the city, neighborhood, and even block. The interactive tool, built using anonymized data from the [Census Bureau](#) and the [Internal Revenue Service](#), also pulls statistics on factors like teen-pregnancy, incarceration rates, education levels, and commute times. The atlas, which went live in 2018, revealed that moving a child from a neighborhood with below-average mobility to one with above-average mobility could

boost his or her lifetime earnings by about \$200,000.



Change From Pre-Covid Levels by State

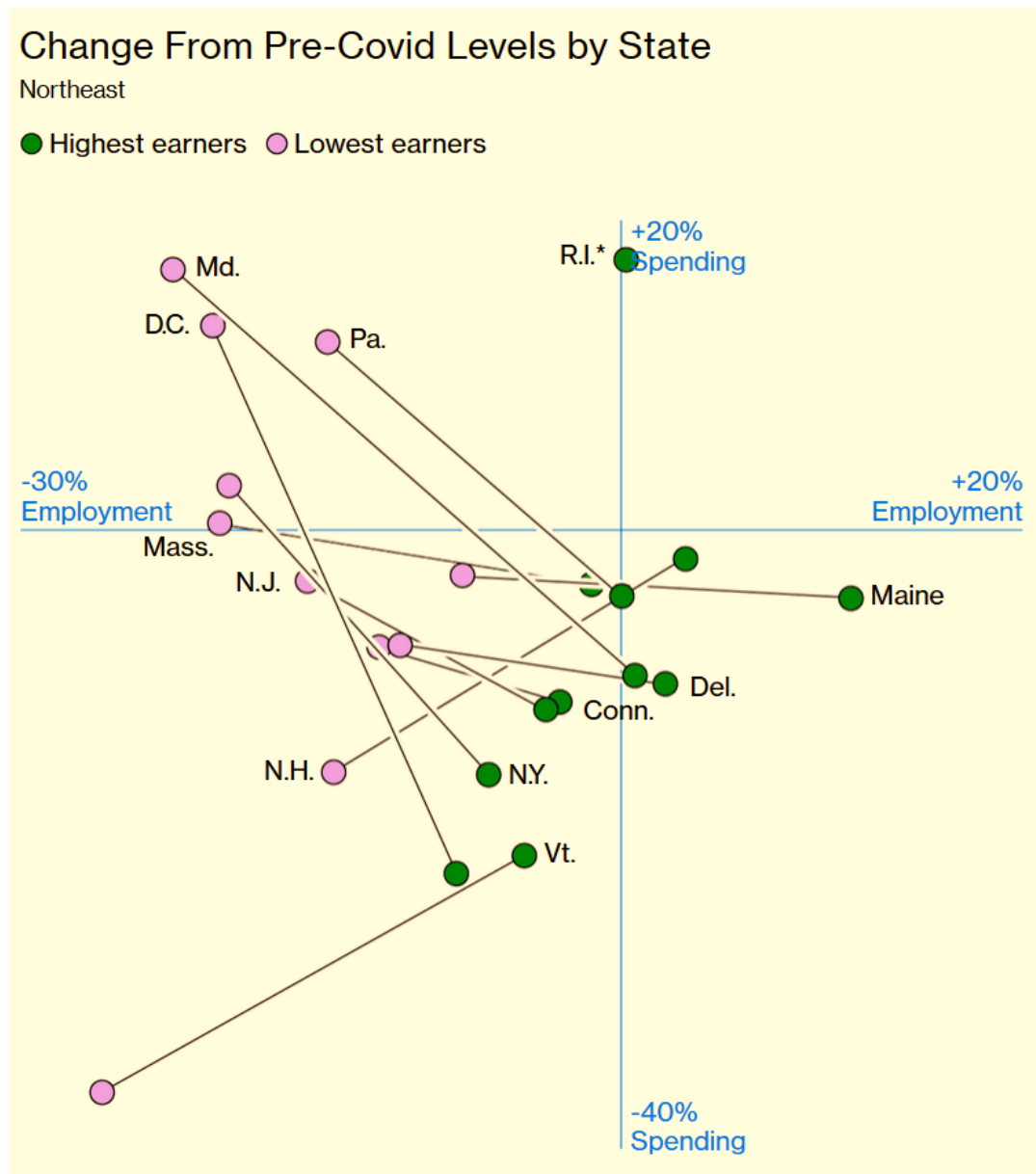
Midwest

Data: Opportunity Insights

Highest and lowest earners based on ZIP code locations of spending and businesses.

The project became the foundation for a Seattle-area experiment in which families eligible for federal housing assistance

received relocation advice and support. U.S. Senator Todd Young, a Republican, has co-sponsored a bipartisan bill to take the Seattle program nationwide. Back home in Indiana, he borrows Chetty's charts to explain the issue to rooms full of constituents. Chetty "goes to great lengths to make his research accessible. He's not just speaking to other researchers," Young says. "He's presenting information in plain language, in a visual format that one can understand within seconds."



Data: Opportunity Insights

Highest and lowest earners based on ZIP code locations of spending and businesses. \*State data is incomplete

Wealthy donors have also embraced Chetty's research. When he was lured back to Harvard two years ago from Stanford, billionaire hedge fund manager Bill Ackman endowed a chair in the economics department for him. [Gates](#), Zuckerberg, and other donors

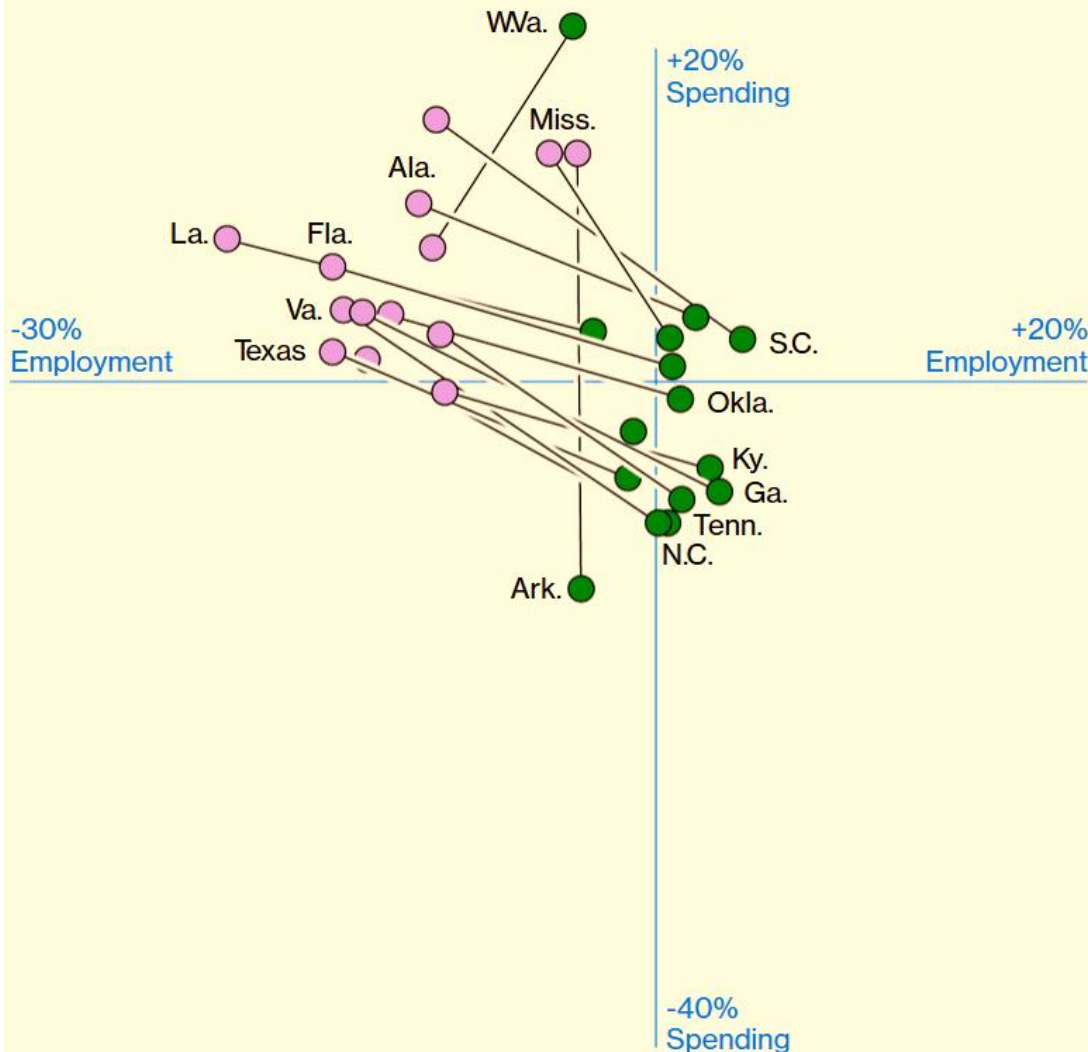
(including Bloomberg LP founder Mike Bloomberg) have given OI resources that few academic labs can match. The center can hire not just research assistants to crunch data but also experienced policy experts who turn findings into advice for decision-makers at all levels of government and web designers who create ambitious data visualizations. "He

created a new business model for how to do economics,” says Princeton professor Markus Brunnermeier.

## Change From Pre-Covid Levels by State

South

● Highest earners ● Lowest earners



Data: Opportunity Insights

Highest and lowest earners based on ZIP code locations of spending and businesses.

Even for Chetty, whose work has documented in damning detail the many obstacles Black Americans face in this country, the murder of George Floyd by Minneapolis police in May inspired a reaction of “horror about how different people’s lives can be, given just the color of their skin,”

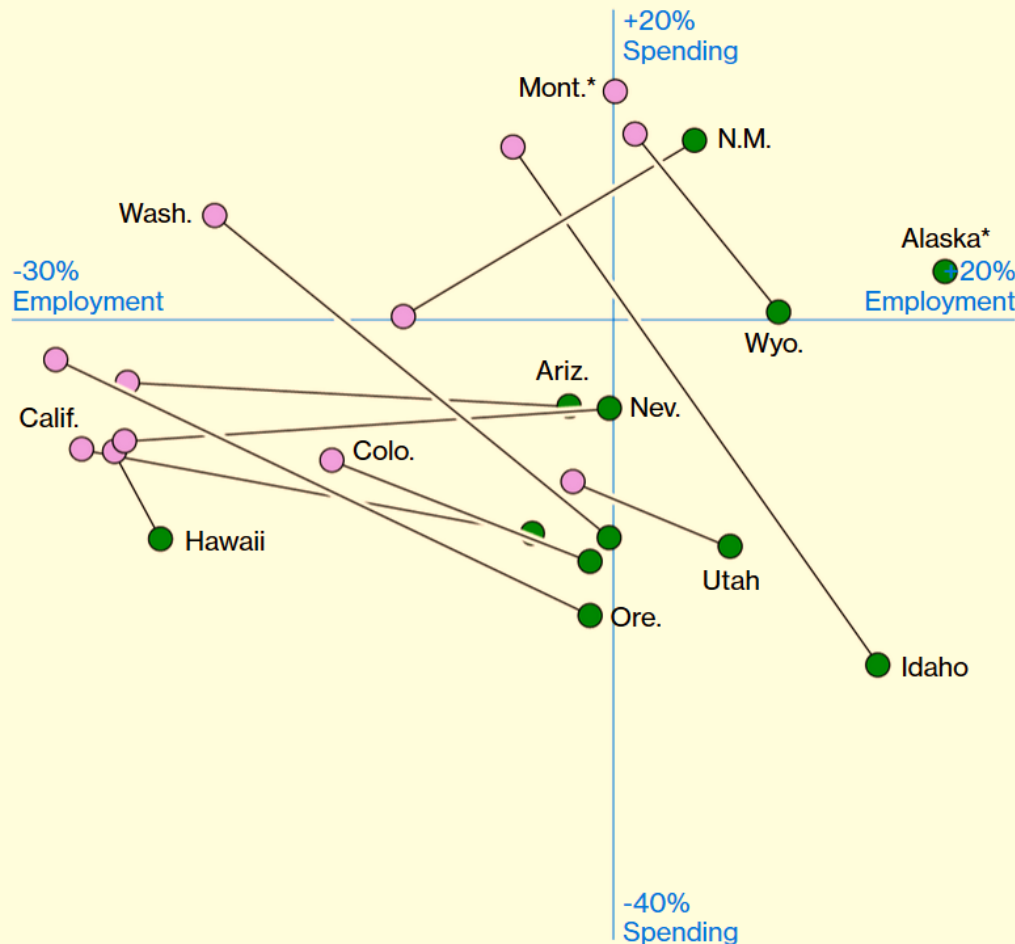
he says. Those differences are on full display on OI’s new tracker, which shows that as their jobs have disappeared and their children’s educations stalled, minorities and low-income Americans have been bearing a disproportionate burden from the virus itself. It also won’t help these groups that the disease is depriving governments of tax revenue and putting extreme strains on nonprofits and educational institutions. Many of the policies Chetty and his colleagues have suggested to battle inequality, such as more inclusive college admissions and housing desegregation, will require money to move forward. “All of this is going to get tougher,” says Friedman, Chetty’s frequent collaborator.



## Change From Pre-Covid Levels by State

West

● Highest earners ● Lowest earners



Data: Opportunity Insights

Highest and lowest earners based on ZIP code locations of spending and businesses. \*State data is incomplete

Ford's Walker is more optimistic. "For the first time in my lifetime, we are reckoning with the issues of race and class in America," he says. "Americans have deluded ourselves for years that we are a meritocracy." Now they're waking up to the often-insurmountable barriers to equal opportunity Chetty has spent his career identifying. That makes him "the economist for this moment of reckoning," Walker says. "He understands that growing inequality asphyxiates hope and

makes it impossible for people to dream and believe that their children will have better lives."

When Covid-19 first reached the U.S., no one, Chetty included, had much idea of what it was doing to the economy. Government statistics like monthly unemployment numbers or the quarterly gross domestic product series couldn't keep up.

OI had started the year with a full plate of projects, including Chetty's most ambitious data effort yet: a collaboration with the Census to document the economic trajectory of every American alive over the past 70 years. Suddenly, most of the lab's work ground to a halt as government offices shut down.

With little else to keep their young researchers busy, Chetty and his team started playing around with the few real-time measures of the economy that were available. Homebase, a company that makes small-business software, was offering researchers access to daily internal numbers, for example.

During a meeting in early April, Chetty, Friedman, and others struck on an idea: What if they pulled together data from several private sources then put it all up on the web, so anyone could access it—an economic counterpart to Johns Hopkins University's coronavirus tracker, which has become one of the go-to sources for health statistics.

“We didn't realize just how big a project we were getting ourselves into,” says Michael Stepner, a postdoctoral fellow at OI. At first, he planned to devote 10 hours a week to the effort. But eventually it sucked in the entire staff, with work progressing pretty much around the clock as night owls overlapped with early birds. “This just took over the lab, and it took over my life,” says Stepner, who will decamp for a teaching job at the University of Toronto next year.

The team initially vetted a hodgepodge of data that might show Covid's effects on inequality, such as food pantry usage. Soon, though, they focused on building only the most rigorous and comprehensive metrics. Frequently cited as their inspiration is Simon Kuznets, the Nobel Prize-winning economist who, in the depths of Great Depression, developed ways to quantify gross domestic product and other metrics. His pioneering work supplied the foundation for how the U.S. and countries around the world measure their economies. Chetty set a similarly ambitious goal for his project: “Bring economic measurement into the age of Big Data.”

In today's world, almost every economic transaction—a debit-card swipe, a direct deposit from an employer, an electronic bill of lading for a shipment of steel—has a digital

fingerprint that's captured and stored somewhere. Pull enough of this data together and, in theory, you have a God's-eye view of the economy.

Imagine how useful that could be during a recession like this one. In place of the one-size-fits-most policies in the Cares Act, lawmakers would be able to target stimulus with precision to the industries and sectors of the population that need it most and get nearly instantaneous feedback on whether it's working. And of course there are applications beyond this pandemic. Using the tracker, a state hit by a natural disaster could pinpoint which communities were lagging in the recovery. A city trying to revive its downtown could get a rapid read on retail spending.

Using private data to study economics isn't a new idea, but the Covid crisis gave Chetty the confidence that he might be able to pull off something unprecedented. OI's major donors were enthusiastic. "We see it as something that has a great deal of potential for the future, well beyond the current crisis," says Ryan Rippel, who oversees the Gates Foundation's work on economic mobility and opportunity.

The first hurdle was persuading companies to part with as precious a possession as their internal data. "Normally I wouldn't have thought of approaching big companies like [Intuit](#) or [Mastercard](#)," Chetty says, but the virus made them much more willing to help. "If we can figure out how to revive the economy, obviously that's good for everyone."

Chetty's reputation, and his years of experience in handling supersecret government records, reassured providers their data would be properly aggregated, anonymized, and blended with other sets in ways that fully protected privacy. "Raj's group is pretty advanced," says Ram Palaniappan, chief executive officer of [Earnin](#), which makes a financial app that's [supplying information](#) on wages of lower-income workers.

Ensuring that the individual streams of data could be pooled to render an accurate picture of the larger economy was its own challenge. "The main issue when you get data from these private companies is that you're learning something about their business and not something about the economy as a whole," says Friedman, a co-director of the center. Some sources, a debit-card issuer, for example, were rejected as unrepresentative. "Sometimes it worked and sometimes it didn't, and we tried to be creative about how to fill in the holes we needed."

In May, after a five-week marathon, OI launched the tracker, and the world got to see how jobs, spending, small business revenue, and other metrics responded to the onset of the pandemic in the U.S. Other academics started poring through the rich data sets, freely available for download, to study everything from inflation to partisanship. States and local governments started consulting the tracker to see which industries needed help. “We literally use it every single day,” says Rob Dixon, director of the Missouri Department of Economic Development.

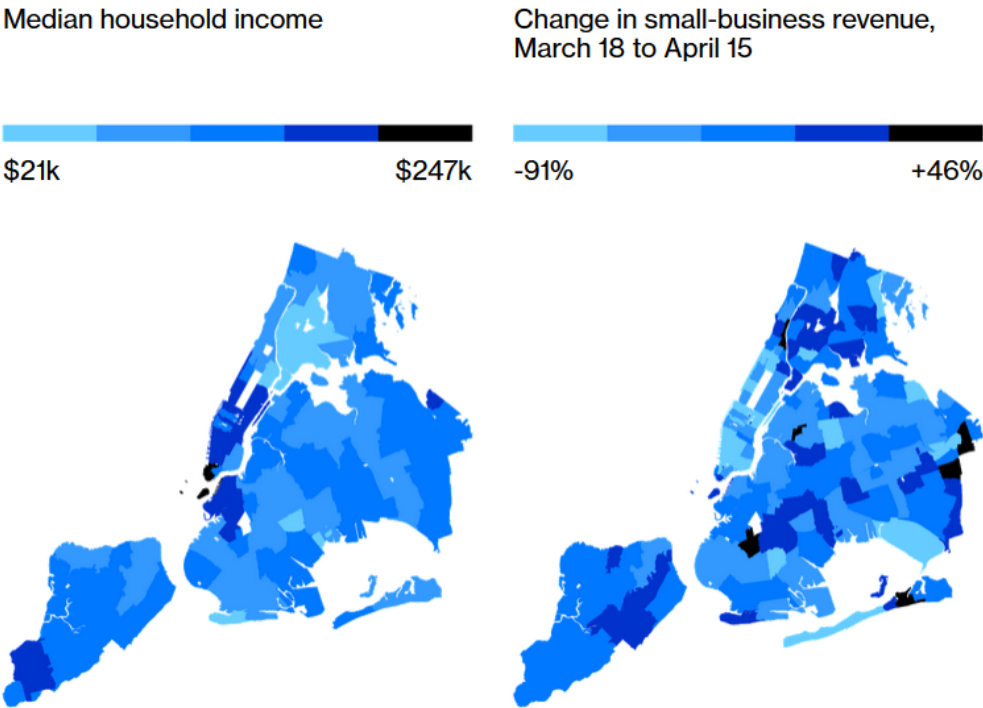
On the tracker, you can see that back in March, when the lockdowns started, almost every household in America was reeling, with overall consumer spending plunging 33%. Then, around April 15, spending surges, with bigger jumps in low-income neighborhoods: That’s the first round of stimulus payments landing in people’s wallets. As jobless benefits kick in, including the \$600 per week pandemic top-up that left many workers with more than they were earning before, spending kept rising. By late June, residents of low-income neighborhoods were spending a bit more than they had before the crisis.

Displayed on a map, though, the tracker data revealed some troubling patterns. In March and April, small businesses in affluent big-city neighborhoods saw their revenue drop

70%—more than twice the decline in the least affluent areas. Saddled with high rents, many of these shops, restaurants, and bars shut their doors for good.

Because high-income Americans make up such a large share of overall spending, the effects of their caution lingered even as cities and states allowed businesses to reopen. Using the

### The Covid Recession Sweeps New York City



Data: Opportunity Insights

tracker, you can compare neighboring states that reopened at different times, such as Colorado on May 1 and New Mexico on May 16, and see there's almost no difference in employment or consumer spending trajectories.

Chetty grew even more alarmed as the summer wore on. His conversations with senators about the best ways to do another round of stimulus hadn't borne fruit, with congressional Democrats insisting the economy needs far more support than [Trump](#) and Republicans have proposed. In early August, unemployed Americans stopped getting their extra \$600 a week. The tracker didn't show activity plummeting right away, as Chetty worried it might. Instead, measures like spending and small business revenue flatlined. "We're basically stalled," he says.

After the tracker's debut, OI continued to sign up companies willing to share their data (there are 11 in total now). What emerged was an even clearer picture of the gaps opening between the most privileged Americans and everyone else. In August, payroll provider [Paychex](#) offered data that, combined with info from Intuit, Earnin, and [Kronos](#), revealed that high-income workers had regained almost all the jobs lost in March and April. (The findings Chetty shared with Biden and Harris.) That "all the more heightens the need for targeted unemployment benefits," he says.

The virus's spread, and the lack of a national strategy to fight it, hobbled the economy in ways Chetty hadn't expected. After cases and deaths rose in places such as Florida and Arizona, key indicators like consumer spending and small business revenue dipped but didn't plunge.

Why? Chetty's working theory is that Sun Belt states' economic resilience might be a sign that they're not taking the disease seriously enough to get it under control. Trying to keep the economy humming while the virus runs rampant is a "short-term-ist perspective" with long-term costs, he says.

A scenario in which Covid is never corralled the way it has been in some countries in Europe and Asia haunts Chetty. "It's not going to be a sustained recovery. There's just no way," he says. "We're going to be stuck trying to go along and accept a fair number of Covid infections and deaths and muddle our way through until finally there's a vaccine."



This would be especially damaging for disadvantaged groups, children in particular. If schools can't reopen safely for in-person learning, low-income kids will fall even further behind their peers. The tracker includes one bit of noneconomic data, from Zearn, a nonprofit online math platform, showing overall usage dropped when schools closed in March. Then, however, kids in high-income areas, prodded by well-educated parents who were working from home, started logging on again, completing more lessons in early May than they had before the crisis. By contrast, overall participation on Zearn had dropped almost 30%, and by more than half for children in low-income areas, possibly because they were in households where parents were more likely to be "essential" employees working outside the home. "Public schools were, to some extent, serving to level the playing field and increase social mobility," Chetty says. With the shift to mostly or only remote learning in many school districts, "you're going to have massive impacts on inequality."

Chetty doesn't pretend to have simple solutions to the Covid recession, or to America's worsening inequality gap. What he has to offer are smaller but often easier-to-implement fixes, like the program in Seattle. Because of his scientific bent, he likes to see policies tested in one particular locale before they're rolled out more widely. "A lot of the solutions that are going to have the greatest impacts are going to be locally led and community created," says Rippel of the Gates Foundation.

Unlike some high-profile economists who have strongly partisan viewpoints, Chetty doesn't ask elected leaders or their voters to abandon their political ideologies. He just tries to get them to pay attention to the people and places the economy has shunted aside. We'll only see their suffering if we obsess less about aggregate measures like GDP, and more about what's happening on street corners and in schoolyards where Americans are blocked from reaching their potential.

To figure out how to restore opportunity for the disadvantaged, Chetty will need lots more data. So he's still on the hunt for fresh inputs for his tracker: better ways to measure cash transactions, health-care spending, housing costs, and the balance sheets of businesses and households. The more data you have, the more "it brings to light the interconnected nature of the economy," he says.